

R-4, Box 919
Annapolis, Maryland
March 18, 1949

Exhibit 89

Take all

Mr. John Stedman
Antitrust Division
Department of Justice
Washington 25, D. C.

Dear John:

Replying to your letter of March 4th, I will answer your seven points serially as follows:

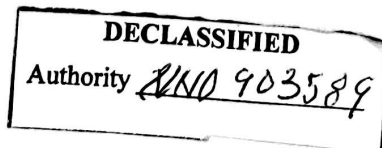
1. I believe I have distinguished between decartelization and deconcentration where there appeared to be possibility of confusion.
2. The reference to Professor Bullock is correct. Professor Bullock was on the staff of the Trade and Commerce Branch and was assigned to the Joint Export Import Agency.
3. The names of combines whose head offices are located in the United States Zone are listed on the first attachment to this letter.
4. The report of the businessmen referred to on Page 39 of record is the five-page press release dated May 8, 1947 which I believe Johnston Avery has now turned over to you.
5. The list of 32 companies barred from receiving imported materials paid for by Commercial Credit Corporation referred to in pages 57 and 58 of my testimony is set out in the cable whose reference number is cc-7186, dated 30 November 1946, copy of which Avery has turned over to you.
6. I do not have a copy of the December 1948 white paper. If you have a copy and can send it to me, I would be happy to comment on it.
7. I shall attempt to state a few views on the personnel and type of organization that would be required to carry out a deconcentration program, and will attach it to this letter as attachment #2.

With best personal regards,

Sincerely yours,

Jim Martin

James Stewart Martin



Attachment #1 to letter of March 18, 1949 to John Stedman,
page 1.

The following twenty-seven important German combines, considered by the Decartelization Branch to have been objectionable in one or more ways under Military Government Law #56, had their head offices and principal place of business in the United States Zone.

Adlerwerke A.G. of Frankfurt am Main
Bayerische Motorenwerke A.G. of Munich
C. F. Boehringer & Soehne G.m.b.H. of Mannheim
Robert Bosch G.m.b.H. of Stuttgart
Brown, Boveri & Cie A.G. of Mannheim
Buderus'sche Eisenwerke of Wetzlar
Daimler-Benz A.G. of Stuttgart
Deutsche Erdoel A.G. of Berlin
Deutsche Gold- und Silberscheideanstalt of Frankfurt
Deutsche Linoleum Werke A.G. of Bietigheim
Deutsche Tafelglas A.G. of Fuerth
Christian Dierig A.G. of Augsburg
Gutehoffnungshuette A.G. of Nuremberg
Henschel und Sohn G.m.b.H. of Kassel
Philipp Holzmann A.G. of Frankfurt am Main
I.G. Farbenindustrie A.G. of Frankfurt am Main
Industriekontor G.m.b.H. of Wiesbaden
I.T. & T. Group of Berlin
Linde's Eismaschinen A.G. of Wiesbaden
Metallgesellschaft A.G. of Frankfurt
Adam Opel A.G. of Ruesselsheim
Guenther Quandt Complex of Berlin
Sueddeutsche Zucker A.G. of Mannheim
Triumphwerke Nuernberg A.G. of Nuremberg
Wintershall A.G. of Kassel
Zellstoff-Fabrik Waldhof of Mannheim
Zellwolle- und Kunstseidering G.m.b.H. of Berlin

This list is carried on page 267 of the OMGUS Decartelization Branch report: "Germany's Major Industrial Combines", dated 10 May 1948 and prepared by Charles C. Baldwin, Chief of the International Cartels Section. Some details on each are contained in the body of that report. In the following paragraphs are noted some of the highlights given special consideration by the Decartelization Branch.

It will be noted that the list of combines contained in the cable cc-7186 includes a number of concerns whose head offices were located in other zones. That was because these combines had substantial plants and other assets located in the United States Zone. An outstanding example is the firm of Friedrich Flick K.G. with headquarters at Düsseldorf, (British Zone) which was the parent concern of two important subsidiaries located in the United States Zone; Eisenwerkgesellschaft Maximilianshütte of Sulzbach and the

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Fella Werke of Nuremberg. It will also be noted that not all important combines having their headquarters in the United States Zone were listed in the cable cc 7186. This was because under General Clay's instructions only those having a prominent affiliation with international cartel arrangements were to be listed. General Draper instructed us that the list should be considerable smaller than the list of firms proposed for reorganization or deconcentration.

Some relevant highlights on the twenty-seven firms with headquarters in the U.S. Zone are as follows:

Adlerwerke - Not in itself a dominant combine in the motor industry but tied by undesirable interlocking directorates and other arrangements with Dresdner Bank, A.E.G., Degussa, Siemens & Halske, Wintershall, the Quandt combine, and Bayerische Motorenwerke. Board members included Baron Kurt von Schröder, Cologne banker, and Carl Goetz, Chairman of the Dresdner Bank.

Bayerische Motorenwerke - One of the three biggest airplane-engine producers accounting for over thirty per cent of German production. Board members included such undesirable characters as Walter Rohland of Vereinigte Stahlwerke, C.F. Boehringer, Germany's most important producer of alkaloid drugs (quinine, cocaine, morphine, etc.). Tied by cartel arrangements with all other major firms in this field in the world.

Bosch - Presumably the Committee is already familiar with details of the Bosch combine. Percentages of control in various branches of industry are listed at page 30 of the Baldwin report referred to above.

Brown-Boveri - Three firms, A.E.G., Siemens & Halske, and Brown, Boveri together accounted for 95% of German production of heavy electrical equipment. The firm employed upwards of 16,000 employees and had interlocking arrangements with Deutsche Bank, Dresdner Bank, Commerzbank and Reichskreditgesellschaft.

Buderus'sche - Not outstandingly large, but tied by interlocking arrangements with Deutsche Bank, Dresdner Bank and Commerzbank.

Daimler-Benz - Accounted for over 33% of Germany's aircraft engines. Undesirable interlocking arrangements with Deutsche Bank. Undesirable board members included Werner Carp (Glückhoffnungshütte) and Guenther Quandt (Quandt combine).

Deutsche Erdoel - Controlled 25% of German crude oil production and 45% of Austria's crude oil production. Not in itself important because Germany's oil production is very small. Undesirable interlocking arrangements with Deutsche Bank.

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Deutsche Gold- und Silber (Degussa) - Takes a prominent place in economic concentration because of its membership in practically all cartel agreements relating to its field of economic activity; because of the influence exerted on it by its main stockholders, I.G. Farben and the Henkel (detergents) combine; because its directorate included representatives of the Stickstoff-Syndikat G.m.b.H. (nitrogen monopolies), I.G. Farben, Salzdettfurth (potash), Dresdner Bank, etc.; and because of the influence exerted, in turn, by Degussa on its subsidiaries, Hiag Verein and Auergesellschaft, and its interest in Metallgesellschaft, the huge phosphate and metals combine. Degussa held a practical monopoly of products important to a number of other industries; for example, carbon black, hardening compounds, rare earths, ceramic dyes, and so on. Ties to I.G. Farben, Metallgesellschaft, Henkel and Dresdner Bank particularly objectionable.

Deutsche Linoleum - Formed by merger of all but one company in Germany in its field. Biggest German company and leading factor in the organization of continental holding company in Switzerland effecting international control. Interlocked with Deutsche Bank.

Deutsche Tafelglas - Undesirable and cartel-licensing arrangements with principal foreign plate glass companies.

Christian Dierig - Largest cotton milling firm in Germany. Interlocked with Deutsche Bank, Dresdner Bank Commerzbank and Berliner Handelsgesellschaft.

Gütehoffnungshütte - Over 40,000 employees. Undesirable management included Werner Carp. One subsidiary, MAN diesel works, was the dominant producer of diesel engines in Germany.

Henschel - Full details already in possession of the Committee.

Holzmann - One of the world's largest contracting firms with subsidiaries in twelve foreign countries. Undesirable interlocking arrangements with Deutsche Bank. Board included Hermann J. Abs of the Deutsche Bank.

I.G. Farben - Controlled under Control Council Law No. 9.

Industriekontor - Created by the German Government to centralize ownership and operation of underground factories constructed by the Organization Todt. Its existence is illegal under Military Government laws other than Law No. 56, but as of 1947 was still maintaining offices at Wiesbaden and Munich.

I.T. & T. Group - Employed approximately 50,000 persons. Undesirable interlocking arrangements. Board included Baron Kurt von Schröder, Gerhardt Westrick.

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Linde's Eismaschinen - Undesirable interlocking arrangements with I.G. Farben and Haniel group. Accounted for 50% of German production of industrial gases.

Metallgesellschaft - Undesirable international ties and activities and interlocking arrangements in Germany with A.E.G., Salzdettfurth, Flick, I.G. Farben, Degussa, Henkel, Deutsche Bank and Dresdner Bank. Undesirable board members included Hermann J. Abs, Geheimrat Hermann Schmitz of I.G. Farben, Ludwig Westrick, Carl Rasche of Dresdner Bank. Undesirably complicated corporate structure.

Opel - Undesirable ties of board members with Dresdner Bank and Nazi Party. Because of General Motors connection, management of firm leaned over backward to be acceptable to Nazi regime. Should be thoroughly investigated and German ties cleaned up. This was precluded by early resumption of General Motors control which protected the company from investigation.

Quandt - Complex employed over 75,000 workers. Capitalization of one-half billion Reichsmarks. Annual turnover above one billion RM. Undesirable history of Quandt himself and intimate relation of firm to rearmament program, together with unduly complex corporate structure are grounds for reorganization. Improper ties with Wintershall and Daimler-Benz.

Sueddeutsche Zucker - Dominant firm in German sugar industry. Interlocking ties with Deutsche Bank and Dresdner Bank.

Wintershall - Largest potash producer in Germany and second only to I.G. Farben as a chemical combine. Combine accounted for 56% of German potash production and through control of potash syndicate had international ties and cartel arrangements. Interlocking arrangements with Deutsche Bank, Dresdner Bank and major oil and chemical firms.

Triumphwerke - Office equipment manufacturing firm with improper ties to Dresdner Bank.

Waldhof - Largest cellulose-pulp enterprise in Europe accounting for 27% of Germany's output. Largest paper producer in Germany. Interlocking ties with Reemtsma cigarette monopoly. Interlocking arrangements with Degussa, Dresdner Bank, Deutsche Bank.

Kunstseiderring - Accounted for 28% of Germany's production of cellulose wool. With Phrix, I.G. Farben and Vereinigte Glanzstoff, dominated the synthetic textile program. Interlocking ties with Hermann Goering combine.

It should be emphasized that in all these cases the judgment about need for reorganization should not be based upon percentage of control alone. The essence of the problem is concentration of economic power through interlocking controls or any other device serving the same purpose. The purpose of reorganization is to eliminate this concentration through control of a wide range of enterprises as well as through outright monopoly or dominance in some other industry.

James Stewart Martin

Attachment # 2 to letter of March 18, 1949 to John Stedman.

In my opinion the first problem in achieving economic deconcentration in Germany is not one of personnel and organization. It is a problem in type of directive under which the organization operates and the scope of permissible action.

The first step in achieving deconcentration would be to carry out quickly, by issuance of suitable laws, the steps outlined in my memorandum to General Clay in August 1946 which he "approved in principle," but required us to implement, if at all, by persuading the Germans to pass suitable legislation. This was not done and a fortiori would not be done in the foreseeable future by the "Germans themselves."

A group empowered to issue the necessary laws to effect reorganization of complex corporate structures and improper intercorporate relations would then have to have power to direct the enforcement of these laws. This job is at least comparable to that of the Antitrust Division of the Department of Justice. Although the industry of the United States Zone is considerably smaller quantitatively than the industry of the United States, the complexity of the problems assigned to a group charged with economic deconcentration and decartelization would be considerably greater than the assignment of the Antitrust Division in the United States.

The original table of organization of the Decartelization Branch calling for a total personnel of approximately 140 represented my initial judgment about the size of staff that would be necessary to achieve a reasonably prompt and well-rounded program. Nothing that has happened since has indicated that very much can be done with less.

James Stewart Martin

